

**DEFENSE INDUSTRY INITIATIVE
ON BUSINESS ETHICS AND CONDUCT (DII)**

**Federal Acquisition Advisory Panel
The DII Experience: From Compliance to Values**

**Public Meeting
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Presented by:

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DII Background

- **Defense Industry Initiative on Business Ethics and Conduct (DII) established in 1986**
- **Self-organized and self-governed industry effort to embrace and practice ethical business conduct in the defense business**
- **Compliance is a given for an ethical company**
- **Six founding principles**

Commitment to self-governance

DII Background/DII Principles

- **Adopt a written Code of Ethical Conduct**
- **Train employees to understand the Code**
- **Encourage reporting of violations of the Code, within an atmosphere free of fear of retribution**
- **Implement systems to monitor compliance and procedures for self-disclosure to the Government**

DII Background/DII Principles

- **Share best practices with other firms in the industry**
- **Be accountable to the public**

Enduring principles

DII Background/Companies Establish Ethics Programs

Raytheon

- **Senior leadership commitment**
- **Principal responsibility assigned to a senior officer/manager**
 - Principal representative to the DII
- **Code of Conduct**
 - Ethical conduct is the expected condition
 - Rules employees must not violate
- **Training**
 - “Talking Heads” tell employees the rules; what you must do/must not do

DII Background/Companies Establish Ethics Programs

Raytheon

- **Hot Lines (a few helplines)**
 - Whistleblowing
- **Corrective actions enforce the rules**

Prevent unlawful conduct

DII Ethics Programs – Early Lessons

- **The majority of hotline calls are not about unlawful conduct; managers and supervisors have many other day to day issues (i.e. fair treatment, environmental responsibility, workplace safety, gift giving/receiving)**
- **Laws and regulations are complex, unclear; sometimes there is no rule**
 - **What's the right decision?**
- **Fear of retaliation is a real barrier to surfacing issues**
 - **How do we build trust, openness, candor?**

DII Ethics Programs – Early Lessons

- **Good people can feel pressure to do bad things – why?**
- **Business is dynamic; new issues emerge, i.e. computer use in the workplace, privacy, conflicts of interest**

The road to a good ethics program is never ending

DII Ethics Programs/A New Vision

- **Rules are important knowledge but.....**
- **Culture is as important as the rules**
- **Values drive culture; leaders drive behaviors**
- **Values produce employees who do what's right**

Leadership sets the tone

Ethics Programs: Why Values Based?

- **Culture is a system of shared Values**
- **Senior leaders see Values as how organizations achieve goals**
- **The same Values that achieve strategic goals guide ethical decision-making – including a culture of compliance, prevention**
- **Ethics programs (Codes of Conduct, training, communications, Ethicslines) enable the desired culture**
- **Ethics is linked to the success of the business**

Ethics is strategically relevant

Ethics Programs/Values Based

- **Leadership commitment, attention, involvement**
 - High level reporting/oversight

- **Code of Conduct**
 - Statement of values unique to company
 - Simple, clear, practical guidelines for behavior

- **Training**
 - Annual interactive discussion of real workplace issues
 - Provide a framework for decision-making when there are no rules
 - Mandatory compliance training

Ethics Programs/Values Based

- **Ethics Lines**
 - Asking questions/seeking advice
 - It's OK to raise questions

- **Corrective actions**
 - Accountability at all levels
 - Improve internal systems/controls

Enabling responsible conduct

Culture of Integrity – an Ethics “Safety Net”

- **Unanticipated situations, unique circumstances, difficult to solve issues handled by reference to shared Values**
- **Shared Values are group norms, expectations that problems will be solved in an ethical manner**
- **Process for problem-solving encourages asking questions, seeking advice rather than rote rules**
- **ACTION Model – a framework for decision-making**

Culture is Powerful

Action – Decision Making Model

- A** **Act Responsibly**
- C** **Consider Ethical Principles**
- T** **Trust Your Judgment**
- I** **Identify the Impact on Stakeholders**
- O** **Obey the Rules**
- N** **Notify the Appropriate Persons**

“Relying on formal rules, policies and procedures will not result in outstanding anything, be it customer service, innovation or quality”

Leading by Leveraging Culture

Jennifer A. Chapman and Sandra Eunyoung Cha

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